

EXHIBIT B

Third Monthly Fee Application for the Period

August 1, 2001 through August 31, 2001

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: :
: Chapter 11
W.R. GRACE & CO., et al., :
: Case No. 01-01139 (JJF)
Debtors. : (Jointly Administered)
:
:
:

THIRD APPLICATION OF THE BLACKSTONE GROUP
L.P. AS FINANCIAL ADVISOR TO THE DEBTORS AND
DEBTORS IN POSSESSION FOR ALLOWANCE OF
COMPENSATION FOR ACTUAL AND NECESSARY SERVICES
RENDERED AND FOR REIMBURSEMENT OF ALL
ACTUAL AND NECESSARY EXPENSES INCURRED
(FOR THE PERIOD AUGUST 1, 2001 THROUGH AUGUST 31, 2001)

SUMMARY SHEET

Name of Applicant: THE BLACKSTONE GROUP L.P.

Authorized to Provide
Professional Services to: Debtors

Date of Retention Order: June 22, 2001, effective April 2, 2001

Period for which
Compensation and
reimbursement is sought: August 1, 2001 – August 31, 2001

Amount of compensation sought as actual, reasonable and necessary:	<u>Total</u> \$175,000.00	<u>Less Holdback (@20%)</u> \$35,000.00
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Amount of reimbursement of
expenses sought as actual,
reasonable and necessary: \$16,124.84

This is a x monthly ___ interim ___ final application

Summary Table:

Fee Application, Filing Date	Total Fees Requested	Amount of Holdback (20%)	Net Fees Requested	Total Expenses Requested	Objection Received/Deadline
First 4/2/2001 - 4/30/2001, 7/30/2001	\$169,166.67	\$33,833.33	\$135,333.33	\$0	None
First 5/1/2001 - 5/31/2001, 7/30/2001	\$175,000.00	\$35,000.00	\$140,000.00	\$984.00	None
First 6/1/2001 - 6/30/2001, 7/30/2001	\$175,000.00	\$35,000.00	\$140,000.00	\$6,679.95	None
Second 7/1/2001 - 7/31/2001, 8/27/2001	\$175,000.00	\$35,000.00	\$140,000.00	\$3,504.53	None
Third 8/1/2001 - 08/31/2001, 10/15/2001	\$175,000.00	\$35,000.00	\$140,000.00	\$16,124.84	
TOTAL	\$869,166.67	\$173,833.33	\$695,333.34	\$27,293.32	

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In re:	:	
	:	Chapter 11
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W.R. GRACE & CO., <u>et al.</u> ,	:	Case No. 01-01139 (JJF)
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Debtors.	:	(Jointly Administered)
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THIRD APPLICATION OF THE BLACKSTONE GROUP
L.P. AS FINANCIAL ADVISOR TO THE DEBTORS AND
DEBTORS IN POSSESSION FOR ALLOWANCE OF
COMPENSATION FOR ACTUAL AND NECESSARY SERVICES
RENDERED AND FOR REIMBURSEMENT OF ALL
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(FOR THE PERIOD AUGUST 1, 2001 THROUGH AUGUST 31, 2001)

I. Background

The Blackstone Group L.P. ("Blackstone") respectfully represents as follows:

1. Blackstone is financial advisor to the above-captioned debtors and debtors in possession (collectively, the "Debtors").
2. On April 2, 2001 (the "Petition Date"), the Debtors filed a voluntary petition for reorganization under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the "Bankruptcy Code"). The Debtors continue to operate their business and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.
3. On April 2, 2001, the Debtors applied to the Court for an order authorizing them to retain Blackstone pursuant to an engagement agreement dated February 15, 2001 (the "Engagement Agreement") as their financial advisor, effective as of the Petition Date.

4. On June 22, 2001, the Court entered an order (the "Retention Order") authorizing the Debtors to employ Blackstone as their financial advisor effective as of the Petition Date pursuant to the terms of the Engagement Agreement.

5. Pursuant to the Order Under 11 U.S.C. §§ 105 (a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals and Official Committee Members ("Procedures"), Blackstone submits this third application (the "Third Application") for the monthly period August 1, 2001 through August 31, 2001 (the "Third Application Period").

6. Blackstone submits this Third Application (i) for allowance of reasonable compensation for actual and necessary professional services by it as financial advisor to the Debtors in these cases for the Third Application Period, and (ii) for reimbursement of actual and necessary expenses incurred in representing the Debtors during that same period. This Third Application is made pursuant to the provisions of sections 330 and 331 of the Bankruptcy Code, Rule 2016 of the Federal Rules of Bankruptcy Procedure, the Retention Order and Delaware Bankruptcy Local Rule 2016-2.

7. Professional services and expenses for which compensation and reimbursement are sought were rendered and expended on behalf of the Debtors pursuant to chapter 11 of the Bankruptcy Code. Blackstone believes it is appropriate that it be compensated for the time spent and be reimbursed for the expenses incurred in connection with these matters.

8. For the Third Application Period, Blackstone has provided professional services to the Debtors and incurred fees for such services totaling \$175,000.00. This represents Blackstone's monthly fee of \$175,000.00 for the period August 1, 2001 through August 31,

2001. For the Third Application Period, Blackstone has incurred actual and necessary expenses in connection therewith totaling \$16,124.84. With respect to these specific amounts, Blackstone has received no payments as of the date of the Third Application.

9. As was set out in the Application of the Debtors for Entry of an Order Pursuant to 11 U.S.C. §§ 327(a) and 328(a) and Fed. R. Bankr. P. 2014(a), 2016 and 5002 Authorizing the Employment and Retention of the Blackstone Group L.P. as Financial Advisor to the Debtors and Debtors in Possession (the "Retention Application"), Blackstone provided advisory services to the Debtors prior to the Petition Date. Specifically, Blackstone served as financial advisor to the Debtors since February 2001.

II. The Blackstone Engagement

10. On April 2, 2001, the Debtors applied to the Court for an order authorizing them to retain Blackstone pursuant to the Engagement Agreement as their financial advisor effective as of April 2, 2001, the petition date (the "Effective Date"). Specifically, Blackstone was retained as Financial Advisor to provide the following professional services:

- (a) Assist in the evaluation of the Debtors' businesses and prospects;
- (b) Assist in the development of the Debtors' long-term business plan;
- (c) Analyze the Debtors' financial liquidity and financing requirements;
- (d) Assist in the estimation of asbestos claims including the preparation of an estimation model for payments and costs and the analyses of payment and funding scenarios;
- (e) Evaluate the Debtors' debt capacity and alternative capital structures;
- (f) Develop valuation, debt capacity and recovery analyses in connection with developing and negotiating a potential Restructuring;

- (g) Analyze various restructuring scenarios and the potential impact of these scenarios on the value of the Debtor and the recoveries of stakeholders impacted by the Restructuring;
- (h) Develop a negotiating strategy and assist in negotiations with the Debtors' creditors and other interested parties with respect to a potential Restructuring;
- (i) Value securities offered by the Debtor in connection with a Restructuring;
- (j) Make presentations to the Debtors' Board of Directors, creditor groups or other interested parties, as appropriate;
- (k) Provide expert witness testimony, as requested; and,
- (l) Provide such other advisory services as are customarily provided in connection with the analysis and negotiation of a Restructuring, as requested and mutually agreed.

11. Pursuant to the Engagement Agreement, the Debtors agreed to pay Blackstone the following fees in consideration for services to be rendered:

- (a) A monthly advisory fee (the "Monthly Fee") in the amount of \$175,000, with the first payment of such Monthly Fee payable upon the effective date and additional installments of such Monthly Fee payable in advance on monthly anniversaries of the effective date; and
- (b) A \$5,000,000 Restructuring Fee paid upon consummation of a Restructuring (as defined in the Engagement Agreement).

Furthermore, pursuant to the Engagement Agreement, the Debtors agreed to reimburse Blackstone for the reasonable and documented out-of-pocket expenses incurred by Blackstone in rendering the services to be provided under the Engagement Agreement.

12. For financial advisory services provided to the Debtors during the Third Application Period, Blackstone respectfully requests (a) approval of \$191,124.84 consisting of (i) monthly fees in the amount of \$175,000.00 and (ii) reimbursement of out-of-pocket expenses in the amount of \$16,124.84; and (b) authorization for the Debtors to pay Blackstone's approved fees and expenses in the amount of \$156,124.84 consisting of (i) monthly fees in the net amount

of \$140,000.00, representing total monthly fees of \$175,000.00, less a 20% holdback pursuant to the interim compensation procedures, and (ii) out-of-pocket expenses referred to in (a) above.

III. The Blackstone Team

13. The financial services set forth above were performed primarily by Pamela Zilly – Senior Managing Director; Richard Shinder – Vice President; David Blechman – Associate; and Michael Alexander – Analyst:

- (a) Pamela Zilly: Pamela Zilly is a Senior Managing Director of Blackstone. Prior to joining Blackstone Ms. Zilly was a Vice President of Chemical Bank where she divided her time between the Mergers and Acquisitions Group and the Restructuring and Reorganization Group. Since joining Blackstone, Ms. Zilly has provided services to debtors and creditors in both formal and informal restructuring engagements.
- (b) Richard Shinder: Richard Shinder is a Vice President of Blackstone. Prior to joining Blackstone Mr. Shinder was a Vice President at Lehman Brothers in its Leveraged Finance group. He has worked on a number of debtor and creditor restructuring engagements since joining Blackstone in 2000.
- (c) David Blechman: David Blechman is an Associate of Blackstone. Mr. Blechman joined Blackstone in July 2000 after receiving his M.B.A. with honors from Columbia Business School.
- (d) Michael Alexander: Michael Alexander is an Analyst of Blackstone. Mr. Alexander joined Blackstone in July 1999 after graduating from the McIntire School of Commerce at the University of Virginia.

IV. Summary – Third Monthly Fee Application

14. The major services provided by Blackstone during this compensation period have included: (i) assisting with negotiating confidentiality agreements with advisors to the Official Unsecured Creditors' Committee, the Asbestos Property Damages Committee and the Equity Committee; (ii) assisting with the performance of due diligence by these advisors; (iii) assisting the Debtors in the development of a business plan; (iv) providing quantitative and qualitative

analysis in support of the Debtors' planned acquisitions; (v) assisting the Debtors with structuring retention and incentive compensation plans in the Chapter 11 proceedings; and (vi) providing general consultation and other bankruptcy and business advice.

15. Blackstone respectfully submits that the compensation requested for the Third Application Period for services rendered by Blackstone to the Debtors is fully justified and reasonable based upon (a) the time and labor required during the proceedings, (b) the complexity of the issues presented, (c) the skills necessary to perform the financial advisory services properly, (d) the preclusion of other employment, (e) the customary fees charged to clients in non-bankruptcy situations for similar services rendered, (f) time constraints required by the exigencies of the case, and (g) the experience, reputation and ability of the professionals rendering services.

16. Blackstone respectfully submits that the services it has rendered to the Debtors have been necessary and in the best interests of the Debtors and the estate and have furthered the goals of all parties in interest. Blackstone respectfully submits that under all of the criteria normally examined in Chapter 11 reorganization cases, the compensation requested by Blackstone is reasonable in light of the work performed by Blackstone to date in these cases.

17. The amount of the fees and expenses sought in this Third Application and Blackstone's billing processes are consistent with market practices in a bankruptcy context. Blackstone has never billed its clients based on the number of hours expended by its professionals. Accordingly, Blackstone does not have hourly rates for its professionals, and Blackstone's professionals generally do not maintain detailed time records of the work performed for clients. In the Debtors' case, however, Blackstone has recorded time records in one-half hour increments. Time records of the approximately ³³⁰~~400~~ hours expended by

Blackstone professionals in providing financial advisory and investment banking services to the Debtors during the Third Application Period are provided in Exhibit A by professional.

18. Blackstone respectfully requests allowance of its out-of-pocket expenses incurred during the Third Application Period in connection with its performance of services for the Debtors in the aggregate amount of \$16,124.84. Due to the lag in receiving invoices from certain third-party service firms, Blackstone is unable, at this time, to account for all expenses incurred during the Third Application Period. Ensuing compensation periods will include certain out-of-pocket expenses incurred in the Third Application Period but not included in the Third Application for relief. Details of the expenses incurred during the Third Application Period are provided in Exhibit B. Blackstone's charges for expenses to the Debtors are determined in the same manner as for clients in non-bankruptcy matters. Out-of-pocket expenses incurred by Blackstone are charged to a client if the expenses are incurred for the client or are otherwise necessary in connection with services rendered for such particular client. Blackstone does not factor general overhead expenses into any disbursements charged to its clients in connection with Chapter 11 cases. Blackstone has followed its general internal policies with respect to out-of-pocket expenses billed to the Debtors as set forth below, with any exceptions specifically explained.

- (a) Blackstone's general policy permits its employees to bill lunch or dinner meals to a client if the employee is required to provide services to the client during such meal-time due to extreme time constraints. Blackstone employees are permitted to order meals in the office if the Blackstone employee is required to work after 8:00 p.m. Blackstone has voluntarily capped meal expenses at \$20.00 per meal.
- (b) Messengers, couriers, or overnight delivery are used by Blackstone to deliver hard copy documents relating to the client matter which require receipt on an expedited basis; otherwise, Blackstone uses the regular postal system. Any charges for either messengers, couriers, or overnight delivery are billed to a client at cost.

- (c) The outside financial research category consists of charges from outside services which supply, for a fee, financial documents to Blackstone. Financial research services generally consist of the retrieval of financial documents from regulatory agencies.
- (d) Blackstone bills photocopying charges at the rate of \$0.15 per page.
- (e) With respect to local travel, Blackstone's general policy enables employees to travel by private car service or taxi to and from meetings while rendering services to a client on a client related matter, for which the client is charged. This policy is based on Blackstone's determination that travel by private car service or taxi is the most efficient use of a professional's time. Blackstone employees are not permitted to charge personal commuting expenses to a client unless, for safety reasons, the employee is traveling after 8:00 p.m. and has been required to work late as a result of the time exigencies of that client's matters.
- (f) Blackstone bills its clients for time spent by its employees on its word processing system. The word processing system automatically allocates time to a client based upon the operator's "log-in" by a client matter number. Clients are charged at the personnel cost of \$70.00 per hour for the actual amount of time spent by the operator while rendering word processing services to the client; however, when word processing services are being used after normal business hours, the client is not billed for both an overtime charge and a word processing charge.
- (g) Blackstone bills outgoing facsimile charges at a rate of \$1.00 per page. Blackstone does not bill incoming facsimile charges.

19. Blackstone respectfully submits that the expenses for which it seeks allowance during the Third Application Period are necessary and reasonable both in scope and amount.

20. No prior application for the relief requested herein has been made.

21. All services for which compensation is requested by Blackstone were performed for and on behalf of the Debtors and not on behalf of any other person or stakeholder.

22. No agreement or understanding exists between Blackstone and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these proceedings.

23. Blackstone respectfully represents that its Third Application is in keeping with similar applications for the payment of administrative expenses in other cases.

Dated: New York, New York
October 12, 2001

THE BLACKSTONE GROUP L.P.
Financial Advisor to
W.R. Grace & Co.

By: Pamela D Zilly

Pamela Zilly
Senior Managing Director
345 Park Avenue
New York, NY 10154
(212) 583-5000
(212) 583-5707 (fax)

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	
	:	Chapter 11
	:	
W.R GRACE & CO., <u>et al.</u> ,	:	Case No. 01-01139 (JJF)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	
	:	

AFFIDAVIT

STATE OF NEW YORK)

) ss. :

COUNTY OF NEW YORK)

Pamela Zilly being duly sworn, deposes and says:

1. I am a Senior Managing Director of the firm of The Blackstone Group L.P. ("Blackstone"), which firm maintains offices for providing financial advisory services at 345 Park Avenue, New York, New York 10154. Blackstone is acting as Financial Advisor for the above captioned debtors and debtors in possession (collectively, the "Debtors") in the captioned case.

2. This affidavit is submitted pursuant to Delaware Bankruptcy Local Rule 2016-2 in connection with Blackstone's Third Monthly Fee Application (the "Third Application") for an allowance of compensation for services rendered to the Debtors for the period from August 1, 2001 through August 31, 2001 (the "Third Application Period") in the amount of (i) \$175,000.00 in monthly fees and (ii) the reimbursement of expenses incurred in connection therewith in the sum of \$16,124.84.

3. All of the services for which compensation is sought by Blackstone were performed for and on behalf of the Debtors and not on behalf of any other person or stakeholder.

4. No agreement or understanding exists between Blackstone and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these cases.

5. I have reviewed and I understand the requirements of Delaware Bankruptcy Local Rule 2016-2 and I believe that this Third Application fully complies with all provisions contained in said Order.

By: *Pamela D. Zilly*
Pamela Zilly
Senior Managing Director

Sworn to before me this
12th day of October 2001

Joella Geisler
Notary Public

Joella Geisler
Notary Public, State of New York
No. 01GE6047624
Qualified in New York County
Commission Expires September 5, 2002

EXHIBIT A

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS FOR W.R. GRACE AND CO.
AUGUST 1, 2001 - AUGUST 31, 2001**

Professional	Title	Hours
Pamela Zilly	Senior Managing Director	78.5
Richard Shinder	Vice President	63.5
David Blechman	Associate	113.0
Michael Alexander	Analyst	75.0
		<u><u>330.0</u></u>

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
AUGUST 1, 2001 - AUGUST 31, 2001

Professional	Date	Hours	Explanation
Pamela Zilly	08/01/01	1.0	Discussion with R. Shinder re: options
Pamela Zilly	08/01/01	2.0	Call with management re: compensation options
Pamela Zilly	08/03/01	3.0	Outline of analyses of comparable cases claims, financials, funding alternatives
Pamela Zilly	08/03/01	1.0	Call with P. Norris re: cases status
Pamela Zilly	08/04/01	1.5	Read business plan
Pamela Zilly	08/06/01	2.0	Read business plan
Pamela Zilly	08/06/01	0.5	Read reclamation motion
Pamela Zilly	08/07/01	2.0	Update call with Grace management, J. Kapp
Pamela Zilly	08/07/01	0.5	Call with S. Cunningham re: financial advisors issues
Pamela Zilly	08/07/01	1.0	Call with S. Shwartz and J. McFarland re: confidentiality issues
Pamela Zilly	08/07/01	1.0	Reviewed quarterly operating report and June operating report re: comparative analysis
Pamela Zilly	08/07/01	0.5	Call with F. Gilbert re: distributions to financial advisors
Pamela Zilly	08/07/01	2.0	Reviewed compensation material
Pamela Zilly	08/07/01	1.0	Discussion with D. Blechman, M. Alexander re: compensation analysis, business plan status
Pamela Zilly	08/08/01	1.0	Reviewed compensation analysis
Pamela Zilly	08/08/01	1.0	Meeting with R. Shinder, D. Blechman, M. Alexander re: update to compensation analysis
Pamela Zilly	08/08/01	0.5	Call with F. Gilbert re: monthly reporting package
Pamela Zilly	08/08/01	0.5	Reviewed confidentiality agreement drafts
Pamela Zilly	08/08/01	2.0	Research comparable company case and financial data
Pamela Zilly	08/09/01	1.5	Comparative analysis re: quarterly operating report for P&M call
Pamela Zilly	08/09/01	1.0	Meeting with R. Shinder, D. Blechman, M. Alexander re: revised analysis
Pamela Zilly	08/09/01	1.0	Call with S. Cunningham, P&M, B. Tarola, F. Gilbert and S. Farnsworth re: June operating report
Pamela Zilly	08/09/01	0.5	Call with S. Cunningham re: requests for additional information
Pamela Zilly	08/09/01	0.5	Call with F. Gilbert re: follow-up call
Pamela Zilly	08/10/01	1.5	Read draft business plan
Pamela Zilly	08/13/01	0.5	Meeting with D. Blechman, M. Alexander re: compensation analysis
Pamela Zilly	08/13/01	1.0	Reviewed compensation programs analysis
Pamela Zilly	08/13/01	2.0	Meeting with R. Shinder re: outline of payment analyses
Pamela Zilly	08/14/01	1.0	Call with M. Piergrossi re: analysis
Pamela Zilly	08/14/01	1.0	Meeting with R. Shinder, D. Blechman, M. Alexander re: compensation analysis, and TBG views of same
Pamela Zilly	08/14/01	3.0	Read business plan
Pamela Zilly	08/14/01	2.0	Read Betty information
Pamela Zilly	08/15/01	1.0	Discussions with M. Shelnitz and B. Tarola re: Equity Committee
Pamela Zilly	08/15/01	1.5	Discussion with R. Shinder, M. Alexander re: Comparable company analyses

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
AUGUST 1, 2001 - AUGUST 31, 2001**

Professional	Date	Hours	Explanation
Pamela Zilly	08/16/01	1.5	Discussions with D. Siegel, P. Norris and B. Tarola re: Equity Committee
Pamela Zilly	08/16/01	2.0	Reviewed business plan numbers
Pamela Zilly	08/16/01	1.0	Calls with D. Blechman and S. Farnsworth to discuss business plan numbers
Pamela Zilly	08/17/01	1.0	Call with R. Shinder, B. Tarola and D. Siegel re: Equity Committee
Pamela Zilly	08/17/01	1.0	Discussion with R. Shinder re: structure of analyses, model
Pamela Zilly	08/20/01	1.0	Read revised comp presentation for the Board
Pamela Zilly	08/21/01	4.0	Research re: Grace subsidiary businesses, acquisitions, comparable situations
Pamela Zilly	08/21/01	1.5	Review Grace numbers re: Project Betty
Pamela Zilly	08/21/01	0.5	Call with S. Schwartz re: confidentiality agreements status
Pamela Zilly	08/22/01	1.5	Reviewed material re: project Betty
Pamela Zilly	08/22/01	0.5	Call with P. Norris and B. Tarola re: Equity Committee
Pamela Zilly	08/22/01	0.5	Call with B. Tarola and T. Wexler re: Equity Committee
Pamela Zilly	08/22/01	0.5	Call with M. Hunter re: subsidiary funding alternatives
Pamela Zilly	08/22/01	1.5	Call with M. Hunter, B. Tarola, M. Shelnitz, K. Coghlan and S. Shwartz re: non-filing entities funding
Pamela Zilly	08/22/01	1.0	Call with S. Farnsworth re: business plan
Pamela Zilly	08/22/01	0.5	Call with B. McGowan re: compensation programs
Pamela Zilly	08/22/01	2.0	Read and mark up business plan
Pamela Zilly	08/23/01	2.0	Call with K. Coghlan, B. Bettacchi and S. Farnsworth re: Project Betty
Pamela Zilly	08/23/01	1.5	Revise business plan
Pamela Zilly	08/23/01	0.5	Meetings with D. Blechman, M. Alexander re: comments to business plan
Pamela Zilly	08/23/01	2.0	Outline review of compensation programs proposal
Pamela Zilly	08/23/01	0.5	Call with S. Farnsworth and B. Tarola re: business plan
Pamela Zilly	08/24/01	2.0	Call with P. Norris and B. McGowan re: compensation
Pamela Zilly	08/24/01	0.5	Call with B. McGowan re: Board meeting
Pamela Zilly	08/26/01	2.5	Read and revise business plan
Pamela Zilly	08/27/01	1.0	Calls with R. Shinder, D. Blechman, M. Alexander re: business plan comments
Pamela Zilly	08/27/01	0.5	Calls with S. Schwartz re: confidentiality agreements status
Pamela Zilly	08/31/01	1.0	Call with R. Shinder re: Meetings on 9/4

78.5

THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
AUGUST 1, 2001 - AUGUST 31, 2001

Professional	Date	Hours	Explanation
Richard Shinder	08/01/01	1.5	Call with S. Farnsworth, D. Blechman, M. Alexander and K. Coghlan re: business plan
Richard Shinder	08/01/01	1.0	Revisions to option repricing analysis
Richard Shinder	08/01/01	1.0	Discussion with P. Zilly re: options
Richard Shinder	08/01/01	2.0	Call with leadership team re: option plan, incentives (compensation options)
Richard Shinder	08/01/01	1.0	Review of existing Grace compensation programs
Richard Shinder	08/03/01	0.5	Call with B. McGowan re: compensation options
Richard Shinder	08/03/01	1.0	Review filed motions and responses
Richard Shinder	08/05/01	3.0	Review of business plan
Richard Shinder	08/06/01	0.5	Call with S. Schwartz re: P&M confidentiality agreement amendment
Richard Shinder	08/06/01	0.5	Call with S. Cunningham re: Grace follow up information request
Richard Shinder	08/06/01	1.0	Review of material related to P&M information request
Richard Shinder	08/08/01	0.5	Call with P&M re: confidentiality agreement
Richard Shinder	08/08/01	1.0	Meeting with P. Zilly, D. Blechman, M. Alexander re: compensation analysis, business plan status
Richard Shinder	08/08/01	1.5	Review of business plan executive summary
Richard Shinder	08/08/01	2.0	Review business plan, monthly reports re: 6+6 forecast
Richard Shinder	08/09/01	1.0	Meeting with D. Blechman, M. Alexander, P. Zilly re: incentive plans
Richard Shinder	08/09/01	1.0	Call to discuss P&M followup questions
Richard Shinder	08/09/01	1.0	Review of revised 2002-2004 incentive plan financial analysis
Richard Shinder	08/09/01	0.5	Calls with Boyer, Gilbert re: CDG information request
Richard Shinder	08/13/01	2.0	Review of Project Betty materials
Richard Shinder	08/13/01	2.0	Meeting with P. Zilly re: outline comparable companies payments analyses
Richard Shinder	08/14/01	1.0	Discussion of management incentive plans with D. Blechman, P. Zilly, M. Alexander
Richard Shinder	08/14/01	1.5	Review of business plan
Richard Shinder	08/15/01	0.5	Meeting with D. Blechman re: case issues
Richard Shinder	08/15/01	1.5	Meeting with P. Zilly, M. Alexander re: comparable company analyses
Richard Shinder	08/16/01	1.0	Business plan discussion with S. Farnsworth
Richard Shinder	08/16/01	1.0	Review of Project Chi materials
Richard Shinder	08/16/01	1.0	Call regarding Project Chi with S. Zelac, J. Dedy
Richard Shinder	08/16/01	2.0	Review of business plan draft
Richard Shinder	08/17/01	1.0	Call with P. Zilly, B. Tarola and D. Siegel re: Equity Committee
Richard Shinder	08/17/01	1.0	Project Chi - call with S. Zelac, preparation of materials
Richard Shinder	08/17/01	1.0	Call with P. Zilly re: structure of analysis, funding model
Richard Shinder	08/18/01	3.5	Review and comment on business plan (including executive summary)
Richard Shinder	08/27/01	1.0	Review of Project Betty materials

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
AUGUST 1, 2001 - AUGUST 31, 2001**

Professional	Date	Hours	Explanation
Richard Shinder	08/27/01	1.5	Review of Grace business plan
Richard Shinder	08/27/01	1.0	Calls with P. Zilly and D. Blechman re: business plan comments
Richard Shinder	08/27/01	1.0	Review and markup to asbestos bankruptcy journal
Richard Shinder	08/27/01	0.5	Review of motions
Richard Shinder	08/28/01	2.0	Business plan conference call to review documents/projections
Richard Shinder	08/28/01	1.5	Work on Grace projection assumptions
Richard Shinder	08/28/01	1.5	Review of Grace business plan financial model and forecast projections
Richard Shinder	08/30/01	1.0	Review of Project Chi materials
Richard Shinder	08/30/01	0.5	Call with S. Schwartz/K. Coghlan re: Grace CAs
Richard Shinder	08/30/01	0.5	Call with S. Farnsworth re: Grace 9/6 presentation
Richard Shinder	08/30/01	2.0	Read and mark up business plan
Richard Shinder	08/31/01	0.5	Call with F. Gilbert re: flow/order of 9/6 presentation
Richard Shinder	08/31/01	1.0	Work on logistics for Grace 9/6 presentation
Richard Shinder	08/31/01	0.5	Call with K. Coghlan re: Betty 9/6 presentation
Richard Shinder	08/31/01	1.5	Review of Grace 9/6 presentation
Richard Shinder	08/31/01	1.5	Meeting with D. Blechman, M. Alexander re: business plan status
Richard Shinder	08/31/01	1.0	Call with P. Zilly on Grace meetings week of 9/4
Richard Shinder	08/31/01	1.5	Meeting with D. Blechman, M. Alexander re: analyses, model workplan
Richard Shinder	08/31/01	0.5	Project Chi presentation work
		<u><u>63.5</u></u>	

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
AUGUST 1, 2001 - AUGUST 31, 2001**

Professional	Date	Hours	Explanation
David Blechman	08/01/01	10.0	Worked on business plan
David Blechman	08/01/01	1.5	Call with S. Farnsworth, R. Shinder, M. Alexander and K. Coghlan re: business plan
David Blechman	08/07/01	0.5	Call re: Chapter 11 update
David Blechman	08/07/01	0.5	Call with M. Alexander, Company re: P&M due diligence
David Blechman	08/07/01	3.0	Analyzed compensation programs
David Blechman	08/07/01	1.0	Discussion with P. Zilly, M. Alexander re: compensation analysis, business plan status
David Blechman	08/08/01	1.0	Meeting with P. Zilly, R. Shinder, M. Alexander re: compensation analysis and due diligence requests
David Blechman	08/08/01	0.5	Call with F. Gilbert re: compensation analysis and due diligence requests
David Blechman	08/08/01	2.0	Revised compensation analysis
David Blechman	08/09/01	1.0	Revised compensation analysis
David Blechman	08/09/01	0.5	Meeting with P. Zilly, M. Alexander and R. Shinder re: revised compensation analysis
David Blechman	08/13/01	0.5	Meeting with P. Zilly, M. Alexander re: compensation programs
David Blechman	08/13/01	3.0	Worked on Business Plan presentation
David Blechman	08/14/01	2.0	Prepared analysis of compensation programs
David Blechman	08/14/01	1.0	Meeting with P. Zilly, M. Alexander, and R. Shinder re: compensation analysis
David Blechman	08/14/01	0.5	Call with M. Alexander, M. Piergrossi re: compensation analysis
David Blechman	08/14/01	3.5	Prepared analysis of compensation programs
David Blechman	08/15/01	2.5	Transit to Columbia
David Blechman	08/15/01	0.5	Meeting with R. Shinder re: case issues
David Blechman	08/15/01	7.0	Meetings in Columbia re: business plan
David Blechman	08/15/01	2.0	Worked on business plan
David Blechman	08/16/01	8.5	Meetings in Columbia re: business plan, calls with P. Zilly regarding same
David Blechman	08/16/01	2.0	Reviewed business plan on return trip from Columbia
David Blechman	08/17/01	6.0	Worked on business plan
David Blechman	08/21/01	0.5	Meeting with M. Alexander re: asbestos bankruptcies
David Blechman	08/21/01	2.0	Prepared fee application
David Blechman	08/21/01	1.0	Research comparable company data
David Blechman	08/22/01	2.0	Prepared fee application
David Blechman	08/22/01	2.0	Worked on business plan
David Blechman	08/23/01	0.5	Meeting with P. Zilly, M. Alexander re: business plan
David Blechman	08/23/01	6.0	Revised draft of business plan with M. Alexander
David Blechman	08/24/01	6.0	Worked on drafting business plan
David Blechman	08/24/01	0.5	Call with M. Alexander, P. Norris and B. McGowan re: compensation plans
David Blechman	08/27/01	1.0	Call with M. Alexander, S. Farnsworth re: business plan

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
AUGUST 1, 2001 - AUGUST 31, 2001**

Professional	Date	Hours	Explanation
David Blechman	08/27/01	1.0	Calls with R. Shinder, M. Alexander and P. Zilly re: business plan comments
David Blechman	08/27/01	1.5	Reviewed business plan on return trip from Columbia
David Blechman	08/28/01	1.0	Reviewed comments to business plan
David Blechman	08/28/01	1.0	Call with S. Farnsworth, K. Coghlan and R. Shinder re: business plan
David Blechman	08/28/01	6.0	Worked on drafting business plan
David Blechman	08/29/01	0.5	Call with S. Farnsworth et al. re: business plan
David Blechman	08/29/01	11.0	Worked on drafting business plan
David Blechman	08/30/01	1.0	Incorporated appendix to business plan; and prepared package to P&M
David Blechman	08/30/01	1.5	Call with S. Farnsworth re: logistics for Board meeting and 9/6/01 meeting
David Blechman	08/31/01	1.5	Meeting with R. Shinder, M. Alexander re: business plan, presentation status
David Blechman	08/31/01	1.5	Outline of financial model re: business plan and funding alternatives
David Blechman	08/31/01	1.5	Analyzed compensation programs
David Blechman	08/31/01	1.5	Reviewed Company documents re: compensation programs
David Blechman	08/31/01	0.5	Meeting with R. Shinder, M. Alexander re: analyses, model work
David Blechman	08/31/01	1.5	
		<u><u>113.0</u></u>	

**THE BLACKSTONE GROUP L.P.
SUMMARY OF HOURS
AUGUST 1, 2001 - AUGUST 31, 2001**

Professional	Date	Hours	Explanation
Michael Alexander	08/01/01	1.5	Call with S. Farnsworth, R. Shinder, D. Blechman and K. Coghlan re: business plan
Michael Alexander	08/01/01	6.5	Worked on business plan
Michael Alexander	08/07/01	2.0	Call re: Chapter 11 update
Michael Alexander	08/07/01	0.5	Call with Company, D. Blechman re: P&M due diligence
Michael Alexander	08/07/01	3.0	Compiled research for compensation programs
Michael Alexander	08/07/01	1.0	Discussion with P. Zilly, D. Blechman re: compensation analysis, business plan status
Michael Alexander	08/08/01	1.0	Meeting with P. Zilly, R. Shinder, D. Blechman re: compensation analysis and due diligence requests
Michael Alexander	08/09/01	1.0	Revised compensation analysis
Michael Alexander	08/09/01	0.5	Meeting with P. Zilly, R. Shinder, D. Blechman re: revised compensation analysis
Michael Alexander	08/13/01	0.5	Meeting with P. Zilly, D. Blechman re: compensation programs
Michael Alexander	08/14/01	2.0	Reviewed and revised analysis of compensation programs
Michael Alexander	08/14/01	1.0	Meeting with P. Zilly, R. Shinder, D. Blechman re: compensation analysis
Michael Alexander	08/14/01	0.5	Call with M. Piergrossi, D. Blechman re: compensation analysis
Michael Alexander	08/14/01	3.5	Compiled additional research on compensation programs
Michael Alexander	08/15/01	1.5	Meeting with R. Shinder, P. Zilly re: comparable company analysis
Michael Alexander	08/17/01	7.5	Worked on business plan
Michael Alexander	08/21/01	0.5	Meeting with D. Blechman re: asbestos bankruptcies
Michael Alexander	08/22/01	2.0	Worked on business plan
Michael Alexander	08/23/01	0.5	Meeting with P. Zilly, D. Blechman re: business plan
Michael Alexander	08/23/01	6.0	Revised draft of business plan with D. Blechman
Michael Alexander	08/24/01	5.0	Worked on drafting business plan
Michael Alexander	08/24/01	0.5	Call with P. Norris, B. McGowan, D. Blechman re: compensation plans
Michael Alexander	08/27/01	1.0	Call with S. Farnsworth, D. Blechman re: business plan
Michael Alexander	08/27/01	1.0	Calls with R. Shinder, P. Zilly, D. Blechman re: business plan comments
Michael Alexander	08/28/01	6.5	Compiled information to update asbestos bankruptcy database
Michael Alexander	08/28/01	4.5	Worked on drafting business plan
Michael Alexander	08/29/01	7.0	Revised and reviewed asbestos bankruptcy database
Michael Alexander	08/31/01	1.5	Meeting with R. Shinder, D. Blechman re: presentation status
Michael Alexander	08/31/01	1.5	Analyzed compensation programs
Michael Alexander	08/31/01	1.5	Meeting with R. Shinder, D. Blechman re: model, other analyses work
Michael Alexander	08/31/01	2.0	Begin structure of financial model, comp company analyses
Michael Alexander	08/31/01	0.5	Reviewed Company documents re: compensation programs
		<u>75.0</u>	

EXHIBIT B

October 4, 2001

Mr. Paul J. Norris
Chairman, President and Chief Executive Officer
W.R. Grace & Co.
7500 Grace Drive
Columbia, Maryland 21044

Advisory fee for the period August 1, 2001 through August 31, 2001: \$ 175,000.00

Out-of-pocket expenses for the period through August 31, 2001:¹

Word Processing	\$ 10,329.67	
Airfare & Travel/Local	4,347.71	
Meals & Lodging	1,401.52	
Communications	<u>45.94</u>	<u>16,124.84</u>

Total Due \$ 191,124.84

Please wire transfer funds to:

Chase Manhattan Bank
One New York Plaza
New York, NY 10017
ABA# 021 000 021
Credit Account: The Blackstone Group L.P.
Account # 066-287472

Invoice Number: 2492-T

¹ Expenses incurred, but not yet processed due to timing differences will be billed at a later date.

W.R. GRACE
Expense Detail
Processed Through
August 31, 2001
2492-T

Word Processing

Alexander	5/15-7/30/01	1,563.34	
Blechman	5/15-7/30/01	85.17	
Blechman	5/15-7/30/01	8,263.50	
Shinder	5/15-7/30/01	306.83	
Zilly	5/15-7/30/01	110.83	
Subtotal - Word Processing			\$ 10,329.67

Airfare

Blechmann	06/25/01	251.75	
Blechmann	07/10/01	405.50	
Blechmann	07/11/01	202.75	
Zilly	06/11/01	474.75	
Zilly	06/25/01	503.50	
Subtotal - Airfare			1,838.25

Car Services**Company Car**

Document Production	05/06/01	49.86	
Document Production	06/21/01	34.10	
Document Production	06/21/01	68.78	
Document Production	06/22/01	38.18	
Document Production	06/22/01	49.86	
Document Production	06/23/01	23.46	
Document Production	06/23/01	24.48	
Document Production	06/24/01	20.40	
Document Production	06/25/01	20.40	
Document Production	06/26/01	68.78	
Document Production	06/28/01	68.78	
Document Production	07/08/01	68.78	
Document Production	07/19/01	23.46	
Document Production	07/22/01	68.78	
Subtotal - Company Car			628.10

Elite

Alexander	06/28/01	22.43
Alexander	07/05/01	24.47
Blechman	06/27/01	35.17

W.R. GRACE
Expense Detail
Processed Through
August 31, 2001
2492-T

Blechman	06/29/01	55.56	
Blechman	07/02/01	21.41	
Blechman	07/03/01	21.41	
Blechman	07/04/01	21.41	
Blechman	07/05/01	26.50	
Blechman	07/08/01	26.50	
Blechman	07/09/01	36.70	
Blechman	07/11/01	40.27	
Blechman	07/13/01	38.23	
Office Services	05/25/01	66.26	
Office Services	07/05/01	54.03	
Office Services	07/08/01	63.72	
Otero	07/14/01	21.41	
Shinder	07/11/01	40.27	
Zilly	06/25/01	45.37	
	Subtotal - Elite		661.12

Skyline

Blechman	06/20/01	17.00	
Blechman	05/15/01	17.00	
Blechman	05/16/01	21.00	
De Almeida	07/16/01	44.00	
	Subtotal - Skyline		99.00

Subtotal - Car Services **1,388.22**

Travel/Local

Alexander	06/28/01	40.00
Alexander	06/29/01	35.00
Alexander	07/13/01	35.00
Alexander	07/13/01	35.00
Blechman	03/27/01	27.00
Blechman	05/14/01	27.54
Blechman	06/14/01	24.00
Blechman	06/14/01	32.00
Blechman	06/14/01	40.00
Blechman	06/20/01	6.00
Blechman	06/24/01	5.00

W.R. GRACE
Expense Detail
Processed Through
August 31, 2001
2492-T

Blechman	06/25/01	8.00	
Blechman	06/25/01	30.00	
Blechman	06/25/01	33.00	
Blechman	06/27/01	6.00	
Blechman	06/29/01	29.00	
Blechman	07/04/01	5.00	
Blechman	07/11/01	37.00	
Blechman	07/12/01	5.00	
Blechman	07/12/01	34.00	
Blechman	07/16/01	6.00	
Zilly	06/13/01	35.00	
Zilly	06/25/01	41.00	
Zilly	06/27/01	26.00	
Zilly	07/25/01	35.00	
Zilly	07/26/01	13.00	
Zilly	07/26/01	18.00	
Zilly	07/26/01	18.00	
Subtotal - Travel/Local			685.54

Other Auto

Blechman	06/29/01	34.70	
Blechman	07/11/01	191.00	
Blechman	07/11/01	210.00	
Subtotal - Other Auto			435.70

Meals

Alexander	05/09/01	20.00
Alexander	05/18/01	20.00
Alexander	05/22/01	20.00
Alexander	06/02/01	20.00
Alexander	06/04/01	16.87
Alexander	06/10/01	12.70
Alexander	06/20/01	20.00
Alexander	07/02/01	20.00
Alexander	07/16/01	7.33
Blechman	02/25/01	15.20
Blechman	05/15/01	20.00
Blechman	06/25/01	2.80

W.R. GRACE
Expense Detail
Processed Through
August 31, 2001
2492-T

Blechman	06/27/01	20.00	
Blechman	07/03/01	20.00	
Blechman	07/04/01	9.93	
Blechman	07/11/01	20.00	
Blechman	07/16/01	20.00	
Document Production	06/21/01	20.00	
Document Production	06/22/01	14.63	
Document Production	07/17/01	10.00	
Office Services	06/26/01	11.05	
Otero	07/09/01	7.57	
Shinder	05/15/01	20.00	
Shinder	05/22/01	20.00	
Shinder	05/29/01	20.00	
Shinder	06/10/01	12.70	
Shinder	06/13/01	20.00	
Zilly	06/01/01	10.10	
Zilly	06/14/01	20.00	
Subtotal - Meals			470.88

Lodging

Blechmann	06/29/01	10.67	
Blechmann	06/29/01	275.81	
Zilly	06/15/01	245.99	
Zilly	06/28/01	398.17	
Subtotal - Lodging			930.64

Communications**Federal Express**

Alexander	07/23/01	31.23	
Shinder	07/27/01	14.71	
Subtotal - Communications			45.94

Total Expenses		\$ 16,124.84
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